

ASSEMBLY BILL

No. 976

Introduced by Assembly Member Steinorth

February 26, 2015

An act to add and repeal Section 17239 of, and to add and repeal Article 18 (commencing with Section 18887) of Chapter 3 of Part 10.2 of Division 2 of, the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 976, as introduced, Steinorth. Personal income tax: deductions: pet adoption costs: voluntary contributions.

(1) The Personal Income Tax Law, in modified conformity with federal income tax laws, allows various deductions in computing the income that is subject to the taxes imposed by that law, including miscellaneous itemized deductions that are allowed only to the extent that the aggregate amount of those deductions exceed 2% of adjusted gross income.

This bill, for taxable years beginning on or after January 1, 2016, and before January 1, 2021, would allow a deduction, not to exceed \$100, under that law for the qualified costs paid or incurred by a taxpayer for the adoption of a pet from a qualified animal rescue organization.

(2) Existing law authorizes an individual to contribute amounts in excess of his or her personal income tax liability for the support of specified funds.

This bill would allow an individual to designate on his or her tax return that a specified amount in excess of his or her tax liability be transferred to the Pet Adoption Cost Deduction Fund, which would be created by this bill. The bill would prohibit a voluntary contribution designation for the Pet Adoption Cost Deduction Fund from being added

on the tax return until another voluntary contribution designation is removed.

The bill would require moneys in the Pet Adoption Cost Deduction Fund, upon appropriation by the Legislature, to be allocated to the Franchise Tax Board, to the Controller for reimbursement of losses in connection with providing personal income tax deductions for pet adoptions, as provided, and the balance to the Department of Food and Agriculture for the distribution of grants to eligible municipal shelters, as defined, for the purpose of providing food and shelter to abandoned and impounded animals, as specified.

The bill would provide that these provisions would remain in effect only until January 1 of the 5th taxable year following the first appearance of the Pet Adoption Cost Deduction Fund on the tax return, but would further provide for an earlier repeal if the Franchise Tax Board determines that the amount of contributions estimated to be received during a calendar year will not at least equal the minimum contribution amount, as defined, for that calendar year, in which case these provisions would be repealed on December 1 of that year.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17239 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17239. (a) For each taxable year beginning on or after January
- 4 1, 2016, and before January 1, 2021, there shall be allowed as a
- 5 deduction an amount equal to the qualified costs paid or incurred
- 6 during the taxable year by a taxpayer for the adoption of a pet from
- 7 a qualified animal rescue organization.
- 8 (b) For the purposes of this section, the following definitions
- 9 shall apply:
- 10 (1) "Pet" means an animal adopted from a qualified animal
- 11 rescue organization that is not used by the taxpayer in a trade or
- 12 business or for the production of income.
- 13 (2) "Qualified animal rescue organization" means a public
- 14 animal control agency or shelter, humane society shelter, or rescue
- 15 group.

1 (3) “Qualified costs” means amounts paid or incurred to a
2 qualified animal rescue organization to adopt a pet, not to exceed
3 one hundred dollars (\$100).

4 (4) “Rescue group” means an organization exempt from federal
5 income taxation as, an organization described in Section 501(c)(3)
6 of the Internal Revenue Code, whose primary purpose is the
7 placement of dogs, cats, or other animals that have been removed
8 from a public animal control agency or shelter, society for the
9 prevention of cruelty to animals shelter, or humane society, or that
10 have been surrendered or relinquished to the rescue group by the
11 previous owner.

12 (c) The deduction allowed under this section for a taxable year
13 shall not exceed one hundred dollars (\$100).

14 (d) This section shall remain in effect only until December 1,
15 2021, and as of that date is repealed.

16 SEC. 2. Article 18 (commencing with Section 18887) is added
17 to Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation
18 Code, to read:

19
20 Article 18. Pet Adoption Cost Deduction Fund
21

22 18887. (a) An individual may designate on the tax return that
23 a contribution in excess of the tax liability, if any, be made to the
24 Pet Adoption Cost Deduction Fund established by Section 18888.
25 That designation is to be used as a voluntary contribution on the
26 tax return.

27 (b) The contributions shall be in a full dollar amount and may
28 be made individually by each signatory on a joint return.

29 (c) A designation under subdivision (a) shall be made for a
30 taxable year on the original return for that taxable year, and once
31 made shall be irrevocable. If payments and credits reported on the
32 return, together with any other credits associated with the
33 individual’s account, do not exceed the individual’s liability, if
34 any, the return shall be treated as though no designation has been
35 made. If a contribution is not specified, but a designee is not
36 specified, the contribution shall be transferred to the General Fund
37 after reimbursement of the direct actual costs of the Franchise Tax
38 Board for the collection and administration of funds under this
39 article.

1 (d) If an individual designates a contribution to more than one
2 account or fund listed on the tax return, and the amount available
3 is insufficient to satisfy the total amount designated, the
4 contribution shall be allocated among the designees on a pro rata
5 basis.

6 (e) The Franchise Tax Board shall revise the form of the return
7 to include a space labeled “Pet Adoption Cost Deduction Fund”
8 to allow for the designation permitted under subdivision (a). The
9 form shall also include in the instructions information that the
10 contribution may be in the amount of one dollar (\$1) or more and
11 that the contribution shall be used to reimburse the California State
12 General Fund for the reduction in receipts attributable to the Pet
13 Adoption Fee Deduction allowed pursuant to Section 17239, with
14 any contributions in excess of the reduction in receipts used to
15 provide grants to eligible municipal shelters for the purpose of
16 providing food and shelter to abandoned and impounded animals,
17 as described in Section 18889.

18 (f) Notwithstanding any other law, a voluntary contribution
19 designation for the Pet Adoption Cost Deduction Fund shall not
20 be added on the tax return until another voluntary contribution
21 designation is removed.

22 (g) A deduction shall be allowed under Article 6 (commencing
23 with Section 17201) of Chapter 3 of Part 10 for any contribution
24 made pursuant to subdivision (a).

25 18888. There is hereby established in the State Treasury the
26 Pet Adoption Cost Deduction Fund to receive contributions made
27 pursuant to Section 18887. The Franchise Tax Board shall notify
28 the Controller of both the amount of money paid by taxpayers in
29 excess of their tax liability and the amount of refund money that
30 taxpayers have designated pursuant to Section 18887 to be
31 transferred to the Pet Adoption Cost Deduction Fund. The
32 Controller shall transfer from the Personal Income Tax Fund to
33 the Pet Adoption Cost Deduction Fund an amount not in excess
34 of the sum of the amounts designated by individuals pursuant to
35 Section 18887 for payment into that fund.

36 18889. All moneys transferred to the Pet Adoption Cost
37 Deduction Fund, upon appropriation by the Legislature, shall be
38 allocated as follows:

1 (a) To the Franchise Tax Board and the Controller for
2 reimbursement of all costs incurred by the Franchise Tax Board
3 and the Controller in connection with their duties under this article.

4 (b) To the Controller for reimbursement of all losses incurred
5 by the General Fund in connection with providing tax deductions
6 for pet adoptions pursuant to Section 17239.

7 (c) (1) To the Department of Food and Agriculture for
8 distribution of grants to eligible municipal shelters for the purpose
9 of providing food and shelter to abandoned and impounded
10 animals. The department may use up to 5 percent of the money
11 allocated to municipal shelters for administrative costs incurred
12 in connection with the Pet Adoption Fee Deduction Fund.

13 (2) For the purposes of this article, “eligible municipal shelter”
14 means a city or county animal control agency or shelter that is
15 current on its reporting requirements to the State Department of
16 Public Health, Veterinary Public Health Section. The State
17 Department of Public Health shall, upon the written request of the
18 Department of Food and Agriculture, make available information
19 regarding whether a city or county animal control agency or shelter
20 is current on its reporting requirements pursuant to this paragraph.

21 (3) The Department of Food and Agriculture shall do all of the
22 following with respect to the distribution of grants:

23 (A) Accept applications for grants from eligible municipal
24 shelters.

25 (B) Process and approve, or reject all applications on a
26 first-come-first-served basis, in the following manner:

27 (i) Eligible municipal shelters processing fewer than 5,000 dogs
28 and cats each year shall receive up to seven thousand five hundred
29 dollars (\$7,500), if funds are available.

30 (ii) Eligible municipal shelters processing between 5,000 and
31 25,000 dogs and cats each year shall receive up to fifteen thousand
32 dollars (\$15,000), if funds are available.

33 (iii) Eligible municipal shelters processing more than 25,000
34 dogs and cats shall receive up to twenty-two thousand five hundred
35 dollars (\$22,500), if funds are available.

36 (C) Make applications available to eligible municipal shelters
37 on the first day of the second calendar year after the Pet Adoption
38 Fee Deduction Fund first appears on the tax return.

39 (d) In order to be eligible for grants authorized by this article,
40 eligible municipal shelters shall file an application with the

1 Department of Food and Agriculture, in the form and manner as
2 specified by the Department of Food and Agriculture.

3 (e) Any grants distributed under this article create an additional
4 funding source for food and shelter services and programs for
5 eligible municipal shelters and shall be used to supplement, not
6 supplant, other funding sources for these services and programs.

7 18890. (a) Except as otherwise provided in subdivision (b),
8 this article shall remain in effect only until January 1 of the fifth
9 taxable year following the first appearance of the Pet Adoption
10 Cost Deduction Fund on the personal income tax return, and is
11 repealed as of December 1 of that year.

12 (b) (1) By September 1 of the second calendar year and each
13 subsequent calendar year that the Pet Adoption Cost Deduction
14 Fund appears on the tax return, the Franchise Tax Board shall do
15 all of the following:

16 (A) Determine the minimum contribution amount required to
17 be received during the next calendar year for the fund to appear
18 on the tax return for the taxable year that includes that next calendar
19 year.

20 (B) Provide written notification to the Department of Food and
21 Agriculture of the amount determined in subparagraph (A).

22 (C) Determine whether the amount of contributions estimated
23 to be received during the calendar year will equal or exceed the
24 minimum contribution amount determined by the Franchise Tax
25 Board for the calendar year pursuant to subparagraph (A). The
26 Franchise Tax Board shall estimate the amount of contributions
27 to be received by using the actual amounts received and an estimate
28 of the contributions that will be received by the end of that calendar
29 year.

30 (2) If the Franchise Tax Board determines that the amount of
31 the contributions estimated to be received during a calendar year
32 will not at least equal the minimum contribution amount for the
33 calendar year, this article shall be inoperative with respect to
34 taxable years beginning on or after January 1 of that calendar year
35 and shall be repealed on December 1 of that year.

36 (3) For purposes of this section, the minimum contribution
37 amount for a calendar year means two hundred fifty thousand
38 dollars (\$250,000) for the second calendar year after the first
39 appearance of the Pet Adoption Cost Deduction Fund on the

1 personal income tax return or the minimum contribution amount
2 as adjusted pursuant to subdivision (c).

3 (c) For each calendar year, beginning with the third calendar
4 year after the first appearance of the Pet Adoption Cost Deduction
5 Fund on the personal income tax return, the Franchise Tax Board
6 shall adjust, on or before September 1 of that calendar year, the
7 minimum contribution amount specified in subdivision (b) as
8 follows:

9 (1) The minimum contribution amount for the calendar year
10 shall be an amount equal to the product of the minimum
11 contribution amount for the prior calendar year multiplied by the
12 inflation factor adjustment as specified in subparagraph (A) of
13 paragraph (2) of subdivision (h) of Section 17041, rounded off to
14 the nearest dollar.

15 (2) The inflation factor adjustment used for the calendar year
16 shall be based on the figures for the percentage change in the
17 California Consumer Price Index for all items received on or before
18 August 1 of the calendar year pursuant to paragraph (1) of
19 subdivision (h) of Section 17041.

20 (d) Notwithstanding the repeal of this article, any contribution
21 amounts designated pursuant to this article prior to its repeal shall
22 continue to be transferred and disbursed in accordance with this
23 article as in effect immediately prior to that repeal.